

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF: JAMES A. PARRELLY)
_____))

FILE NO. 0700051

NOTICE OF HEARING

TO THE RESPONDENT: James A. Parrelly
(CRD#.728368)
24645 Fairmont Drive ,
Dearborn, Michigan 48124

C/o First Midwest Securities, Inc.
207 W Jefferson Street
Suite 102
Bloomington, Illinois 61701

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 20th day of June, 2007 at the hour of 10:00 a.m. or as soon as possible thereafter, before James L. Kopecky Esq., or such other duly designated Hearing Officer of the Secretary of State

Said hearing will be held to determine whether an Order shall be entered revoking James A. Parrelly's (the "Respondent") registration as a salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

- 1 That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act

Notice of Hearing

2

2 That on December 11, 2006 NASD entered Order Accepting Offer Of Settlement submitted by the Respondent (Order) regarding Disciplinary Proceeding No. E8A2003033801 which sanctioned the Respondent as follows:

- a. suspended for twenty (20) calendar days from association with any member of the NASD in any capacity,
- b. fined \$5,000 00, and
- c. pay restitution to public customer C.C.

3. That the Order found.

- a. Between approximately March 2001 and October 11, 2002 (the, "Relevant Period"), the Respondent recommended and effected transactions in Class B shares of certain mutual funds for public customer C.C., without having reasonable grounds for believing that the resultant transactions were suitable for the customer, who was a retired, elderly widow with extremely limited securities experience. Under the circumstances, customer C.C. would have financially benefited from owning Class A shares in the identical funds, regardless of how long customer C.C. held the funds. The unsuitable trading consisted of the following acts:

- 1. During the Relevant Period, the Respondent recommended and sold to customer C.C. more than \$1 2 million of Class B shares in the Federated Family of Funds ("Federated Funds"). At the time of such recommendations, the Respondent knew or should have known that customer C.C. already owned shares in Federated Funds valued at more than \$765,000. Under the circumstances, during the Relevant Period customer C.C. could have purchased Class A shares of the additional Federated Funds and received substantial breakpoints associated with any front-end load, or initial sales charge she may have had to pay for the Class A shares, if not a complete waiver of any front-end load, through which customer C.C. could have purchased Class A shares at net asset value (-NAV"). By purchasing Class A shares under the circumstances, customer C.C., would have paid substantially lower annual fees and expenses for as long as she held such shares, and would not have been subjected to any contingent deferred sales charges ("CDSCs") associated with the Class B shares she purchased. Consequently, regardless of customer C.C.'s

intended holding period, Customer C C would have financially benefited from owning Class A shares, instead of Class B shares of the Federated Funds she purchased *during the Relevant Period*. The Respondent also earned more commissions from selling the relevant Class B shares, instead of Class A shares.

- ii. During the Relevant Period, the Respondent also recommended that customer C.C. sell certain of her Class B shares of Federated Funds, only to thereafter recommend that customer C.C. purchase additional Class B shares of Federated Funds. Consequently, customer C.C. was subjected to CDSCs associated with the sales of such funds, as well as a new CDSC period associated with the new Class B share purchases. Under the circumstances, the Respondent should have recommended that customer C.C. purchase Class A shares of such funds or, at the very least, could have recommended that customer C.C. "exchange" certain of his Federated Funds for different Federated Funds, which could have been effected at no additional cost or consequence to customer C.C.
 - iii. *During the relevant period, the Respondent also engaged in short-term trading of Class B shares in the Munder Family of Funds. The Respondent recommended that customer C.C. purchase Class B shares in the Munder Family of Funds, only to thereafter recommend the sale of the same Class B shares in the Munder Family of Funds within one year of the initial purchase. Consequently, customer C.C. paid a significant CDSC (5%) in connection with such sale. Under the circumstances, and in light of customer C.C.'s possible short-term investment horizon, customer C.C. would have been financially benefited from owning Class C shares in the identical Munder Funds, instead of Class B shares*
 - iv. During the relevant period, the Respondent recommended that customer C C. use cash distributions from mutual fund positions to purchase additional shares of the same fund, generating new commissionable sales instead of reinvesting the shares with the fund group.
- b Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 2310 and IM-2310-2

Notice of Hearing

4

4. That Section 8 E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
5. That NASD is a self-regulatory organization as specified in Section 8 E(1)(j) of the Act
6. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

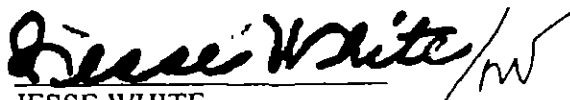
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 ILL. Adm. Code 130)(the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 27th day of April 2007.


JESSE WHITE
Secretary of State
State of Illinois

Notice of Hearing

5

Attorney for the Secretary of State:

Daniel A. Tunick

Office of the Secretary of State

Illinois Securities Department

69 West Washington Street, Suite 1220

Chicago, Illinois 60602

Telephone: (312) 793-3384

Hearing Officer:

James L. Kopecky

321 North Clark Street Suite 2200

Chicago, Illinois 60610